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**South Carolina
Division of General Services**

PROCUREMENT AUDIT AND CERTIFICATION

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SOUTH CAROLINA
MEDICAL MALPRACTICE PATIENTS'
COMPENSATION FUND

AGENCY

JULY 1, 1987 - JUNE 30, 1989

DATE

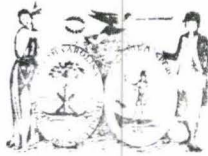
SOUTH CAROLINA
MEDICAL MALPRACTICE PATIENTS'
COMPENSATION FUND
AUDIT REPORT

JULY 1, 1987 - JUNE 30, 1989

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March 22, 1989

Mr. James J. Forth, Jr.
Assistant Division Director
Division of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

We have examined the procurement policies and procedures of the South Carolina Medical Malpractice Patient's Compensation Fund for the period July 1, 1987 - June 30, 1989. As a part of our examination, we made a study and evaluation of the system of internal control over procurement transactions to the extent we considered necessary.

The purpose of such evaluation was to establish a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code and State and internal procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures that were necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of the South Carolina Medical Malpractice Patient's Compensation Fund is responsible for establishing and maintaining a system of internal control over procurement


transactions. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal control over procurement transactions as well as our overall examination of procurement policies and procedures were conducted with due professional care. They would not, however, because of the nature of audit testing, necessarily disclose all weaknesses in the system.

The examination did, however, disclose conditions enumerated in this report which we believe to be subject to correction or improvement.

Corrective action based on the recommendations described in these findings will in all material respects place the Medical Malpractice Patient's Compensation Fund in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.


R. Voight Shealy, Manager
Audit and Certification

RESULTS OF EXAMINATION

The Office of Audit and Certification performed an examination of the internal operating procedures and policies and related manual of the Medical Malpractice Patient's Compensation Fund, hereinafter referred to as the Fund, for the period July 1, 1987 through June 30, 1989. Our on-site review was conducted on August 4, 1989, and was made under the authority described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code.

The Fund had a limited number of procurement actions during the audit period so we tested all of them.

In the past, the Fund has not reported sole source and emergency procurements and/or trade-in sales. However, since the Fund is now a separate agency, a quarterly report is required. If no activity occurs in the quarter, the report should be marked "no activity."


The Fund does not have an approved internal procurement procedures manual as required by Section 11-35-540 of the Consolidated Procurement Code. It should either prepare a procurement procedures manual or file with the Division of General Services a letter of intent to comply with the Consolidated Procurement Code and regulations.

Finally, the Fund does not have an approved Minority Business Enterprise Utilization Plan or an accepted letter of intent as required by Section 11-35-5240 of the Consolidated Procurement Code. We recommend that the Fund contact the Office of Small and Minority Business of the Governor's Office to determine its requirements.

CONCLUSION

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects place the Medical Malpractice Patients' Compensation Fund in compliance with the South Carolina Consolidated Procurement Code.

The Fund has not requested procurement certification above the basic limit of \$2,500.00 that is allowed by the Procurement Code. Subject to the corrective action listed in this report, we recommend that the Medical Malpractice Patients' Compensation Fund be allowed to continue procuring goods and services, consultant services, construction and information technology up to that level. We will verify completion of this by performing a follow-up review before February 28, 1990.



R. Voight Shealy, Manager
Audit and Certification



JOHN G. RICHARDS
CHIEF INSURANCE COMMISSIONER
BOARD CHAIRMAN

South Carolina Medical Malpractice
PATIENTS' COMPENSATION FUND

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March 15, 1990

Mr. R. Voight Shealy
Manager, Audit and Certification
Materials Management Office
1201 Main Street, Suite 600
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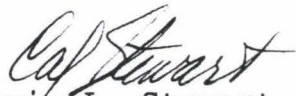
Dear Mr. Shealy:

We appreciate all of the recommendations which you and your staff have made in regards to our purchasing practices. As we mentioned during our exit conference, this is a very small agency, a total of three people, with a very small budget. We knew very little about the appropriate purchasing procedures and in the past we have relied on advice from friends in other agencies. Since we made almost all of our purchases from or through other state agencies, we thought that we were in compliance with state laws. I assure you that we will make every effort to comply with the entire consolidated procurement code, and with your assistance, I feel sure that we will be in full compliance from this time forward.

Enclosed is a copy of our letter of intent to the Governor's Office.

Thanks again for taking the time to help us.

Sincerely,

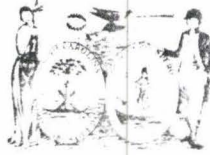

Calvin L. Stewart
Executive Director

CLS:ddc

Enclosure

cc: Mr. Stephon Edwards
The Governor's Office
of Small and Minority Business
1205 Pendleton Street, Room 445
Columbia, SC 29201

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JESSE A. COLES, JR., Ph.D.
EXECUTIVE DIRECTOR

March 22, 1990

Mr. James J. Forth, Jr.
Assistant Division Director
Division of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Jim:

We have reviewed the response to our audit report of the Medical Malpractice Patients' Compensation Fund (the Fund) covering the period July 1, 1987 - June 30, 1989. Also, we have received copies of correspondence from the Fund to appropriate State authorities based on recommendations made in the report. These items, combined with observations made during our exit conference and subsequent discussions with Fund officials, have satisfied me that the agency has taken the appropriate corrective action.

The Fund did not request additional certification. Therefore, I recommend that it be allowed to continue procuring all goods and services, consulting services, construction and information technology up to the basic level authorized by the South Carolina Consolidated Procurement Code.

Sincerely,

R. Voight Shealy, Manager
Audit and Certification

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